

**Management Advisory Report: Additional  
Management Actions Are Needed for Placing  
Small Business/Self-Employed Division  
Transition Employees**

**March 2001**

**Reference Number: 2001-30-054**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

March 30, 2001

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-  
EMPLOYED DIVISION

A handwritten signature in cursive script, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: Final Management Advisory Report - Additional Management  
Actions Are Needed for Placing Small Business/Self-Employed  
Division Transition Employees

Attached for your review are the results of our analysis of the Small Business/Self-Employed (SB/SE) Division's efforts to place transition employees into temporary work assignments and permanent positions. This management advisory report is being provided for informational purposes to aid Internal Revenue Service (IRS) management in its efforts to modernize the IRS.

The IRS' reorganization realigned work and responsibilities and resulted in most of the existing IRS workforce being reassigned to positions in the new organization. However, some employees did not follow their work and responsibilities into the new organization and were not selected for new positions prior to the stand-up of the divisions. These individuals are referred to as transition employees, and approximately 1,400 of them were temporarily placed in the IRS' new divisions, including over 800 in the SB/SE Division.

In summary, management generally took effective steps to ensure SB/SE Division transition employees were placed in temporary work assignments after stand-up. However, SB/SE Division management needs to address two areas: providing position descriptions to transition employees regarding their temporary assignments, and initiating the development of a viable long-term strategy for placing the remaining transition employees.

Since we are making no recommendations, a response to this report was not required. Copies of this report are also being sent to the IRS managers affected by the report.

Please contact me at (202) 622-6510 if you have questions, or your staff may call Gordon C. Milbourn III, Associate Inspector General for Audit (Small Business and Corporate Programs), at (202) 622-3837.

## Management Advisory Report: Additional Management Actions Are Needed for Placing Small Business/Self-Employed Division Transition Employees

---

### Objectives and Scope

*The objective of our review was to determine if SB/SE Division management took effective steps to meet their goals of timely providing temporary assignments for transition employees and eventually identifying permanent positions for them.*

The objective of our review was to determine if Small Business/Self-Employed (SB/SE) Division management took effective steps to meet their goals of timely providing temporary assignments for transition employees and eventually identifying permanent positions for them. Specifically, we ascertained if relevant information regarding the placement status of transition employees was tracked and if the field office stand-up<sup>1</sup> teams effectively oversaw the placement of transition employees. We also determined if management was taking effective steps to eventually move transition employees to permanent internal positions.

In order to accomplish our objectives, we reviewed various transition employee reports and interviewed National Headquarters and field personnel in the SB/SE Division. We did not perform substantive testing of Internal Revenue Service (IRS) personnel placement actions, such as reviewing detailed accounting and personnel data relating to the filling of interim and permanent positions. Similarly, we did not perform any in-depth testing of the information contained in the transition employee reports. Because the IRS was unable to provide us with a complete listing of SB/SE Division transition employees prior to the start of our on-site fieldwork, we relied on judgmental samples taken at each individual audit site.

This review was conducted at the SB/SE Division Headquarters in Washington, DC, and at the SB/SE Division's Compliance Area 1, 4 and 10 Offices from September 2000 through January 2001. We performed the review in accordance with the President's

---

<sup>1</sup> "Stand-up" is the term used to denote the start date of the new operating divisions.

## **Management Advisory Report: Additional Management Actions Are Needed for Placing Small Business/Self-Employed Division Transition Employees**

---

Council on Integrity and Efficiency's *Quality Standards for Inspections*. Major contributors to this report are listed in Appendix I. Appendix II contains the Report Distribution List.

### **Background**

As part of the implementation of the IRS' modernization blueprint, work and responsibilities were realigned into the IRS' new divisions. Most of the existing IRS workforce was simply reassigned to positions in the new organization. However, some employees did not follow their work and responsibilities into the new organization and were not selected for new positions prior to stand-up of the new divisions. These individuals are referred to as transition employees. The IRS' records indicate that as of September 27, 2000, approximately 1,400 of them were temporarily placed in the IRS' new divisions, including over 800 in the SB/SE Division.

The IRS' formal agreement with the National Treasury Employees Union (NTEU) committed it to take a number of actions to assist transition employees. These actions included the written notification of personnel identified as transition employees and the placement of transition employees in temporary assignments until permanent positions can be identified. In addition, the IRS agreed to provide counseling and retraining opportunities to every transition employee.

The actions to be taken by the IRS under this agreement applied to both bargaining unit and non-bargaining unit employees. However, the agreement did not apply to the realignment of the IRS' senior executive staff since the Executive Resources Board manages executive placement.

In order to place transition employees in permanent position vacancies, the IRS developed a centralized, automated referral system. The database of this system is referred to as the AS2. Whenever an IRS division contacts its servicing personnel office to fill a vacancy,

## **Management Advisory Report: Additional Management Actions Are Needed for Placing Small Business/Self-Employed Division Transition Employees**

---

the AS2 is queried for qualified transition employees. If a qualified transition employee is identified, the position can be filled only by that employee.

### **Results**

*The SB/SE Division generally took effective steps to ensure transition employees were placed in temporary assignments but needs to address two remaining issues.*

The SB/SE Division generally took effective steps to ensure transition employees were placed in temporary assignments after its October 1, 2000 stand-up. However, information provided to individual transition employees regarding their temporary assignments was sometimes incomplete. In addition, there is not a viable long-term strategy for placing the remaining SB/SE Division transition employees into permanent positions.

---

### **Management Generally Ensured That Transition Employees Were Placed in Temporary Work Assignments After Stand-up**

---

*Temporary assignments were identified through the efforts of SB/SE Division field managers and the SB/SE Division's Stand-up coordinators.*

Temporary assignments were identified through the efforts of SB/SE Division field managers and the Division's Stand-up coordinators. We selected a judgmental sample of 61 SB/SE Division transition employees and found that, in general, they were assigned temporary work after stand-up and had a manager of record.

To help oversee the interim placement process, the SB/SE Division developed a control listing of the temporary placements of transition employees from all divisions. The IRS also held a series of video-conferences for transition employees to provide general information on the placement process. Finally, the IRS offered career counseling to transition employees through both its in-house career education staff and an outside vendor.

## **Management Advisory Report: Additional Management Actions Are Needed for Placing Small Business/Self-Employed Division Transition Employees**

---

### **Transition Employees Did Not Always Receive a Position Description**

---

*Communication of important information to individual transition employees regarding their temporary work details was not always complete.*

Transition employees did not always receive important information regarding their temporary work details. Specifically, 14 (23 percent) of the 61 SB/SE Division transition employees we interviewed did not receive a position description for their temporary assignments even though they clearly differed from their positions prior to stand-up. The 14 employees also informed us they were not provided with critical job elements for their new positions.

The NTEU agreement required that transition employees receive both a position description and critical job elements. These documents formally communicate the scope and expectations of an employee's assignment. Without these documents, employees may not clearly understand their job expectations.

---

### **A Long-term Coordinated Strategy Is Needed for Placing the Remaining Transition Employees in Permanent Positions**

---

*Prompt placement of the 394 remaining SB/SE Division employees into existing permanent positions is complicated by several factors.*

IRS records indicate that, of the over 800 transition employees located in the SB/SE Division at stand-up, there were 394 transition employees still remaining as of February 10, 2001. These 394 SB/SE Division transition employees represent 64 percent of the 614 total transition employees remaining in IRS' operating divisions. Prompt placement of the remaining SB/SE Division transition employees into existing permanent positions (via the AS2 process) is complicated by their large numbers and their experience profiles.

Approximately 28 percent of these 394 employees are former IRS analysts (job series 343) and the number of existing positions in the reorganized IRS into which they can be placed is limited. In addition, 38 percent of these 394 employees are grade 13 or higher, which further

## Management Advisory Report: Additional Management Actions Are Needed for Placing Small Business/Self-Employed Division Transition Employees

---

limits the pool of available positions. The current salary cost of the 394 remaining SB/SE Division transition employees is over \$17 million annually, not including benefits.

Assignment of transition employees to temporary work on a long-term basis creates a number of risks, including reduced productivity and low morale for the affected employees due to the ongoing uncertainties of the placement process. In addition, management resources are used to continually find productive assignments for transition employees and to monitor the status of those assignments.

The speedy placement of transition employees and an ongoing evaluation of ways to improve the placement process are both elements of the IRS workforce transition policy. Based upon the current transition process, it could be several months or even years before all transition SB/SE Division employees have resigned, retired, or been placed in permanent positions. As a result, the Division needs to consider developing a long-term strategy for placing the remaining transition employees. The development of this strategy should be coordinated with all other affected IRS functions.

### Conclusion

*A viable long-term strategy for placing the remaining SB/SE Division transition employees is needed.*

While SB/SE Division transition employees were generally placed in temporary assignments after stand-up, complete information was not always given to individual transition employees regarding their temporary assignments. In addition, a viable long-term strategy for placing the remaining SB/SE Division transition employees is needed.



**Management Advisory Report: Additional Management Actions Are Needed for  
Placing Small Business/Self-Employed Division Transition Employees**

---

**Appendix I**

**Major Contributors to This Report**

Gordon C. Milbourn III, Associate Inspector General for Audit (Small Business and  
Corporate Programs)

Parker Pearson, Director

Gary Swilley, Audit Manager

Anthony Choma, Senior Auditor

Rashme Sawhney, Auditor

Janis Zuika, Auditor

**Management Advisory Report: Additional Management Actions Are Needed for  
Placing Small Business/Self-Employed Division Transition Employees**

---

**Appendix II**

**Report Distribution List**

Commissioner N:C  
Deputy Commissioner N:DC  
Director, Human Resources S:HR  
Director, Compliance Area 1 S:C  
Director, Compliance Area 4 S:C  
Director, Compliance Area 10 S:C  
Chief Counsel CC  
Director, Legislative Affairs CL:LA  
Office of Management Controls N:CFO:F:M  
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O  
National Taxpayer Advocate TA  
Audit Liaison:  
    Small Business/Self-Employed Division S